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The Impact of Good Corporate Governance (GCG) Mechanisms on Financial Statement Fraud with Firm Size as a Moderating Variable

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Abstract: This study aims to determine the Effect of Good Corporate Governance (GCG) Mechanisms on Financial Statement Fraud with Firm Size as a Moderating Variable. The population in this study were Primary Consumer Goods Sector Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) during 2020 - 2022. There were 210 samples selected using the purposive sampling method. The tool used in this study is Econometrical Views (Eviews) 10. The results of this study indicate that independent commissioner has a negative impact on financial statement fraud. Audit committee, institutional ownership, and managerial ownership have no impact on financial statement fraud. Firm size is able to moderate the impact of independent commissioner on financial statement fraud. Firm size is unable to moderate the impact of audit committee on financial statement fraud, firm size is unable to moderate the impact of institutional ownership on financial statement fraud, and firm size is unable to moderate the impact of managerial ownership on financial statement fraud.

Keyword: Independent Commissioner, Audit Committee, Institutional Ownership, Managerial Ownership, Firm Size, & Financial Statement Fraud.

INTRODUCTION

Financial statements are a reflection of the financial condition and performance of a company. The process of preparing these statements must contain reliable and accountable information, as this information is used as a basis for decision-making by users. Any discrepancy between the financial statement presentation and the actual condition of the company can lead to wrong decision-making (Indella & Husaini, 2021). However, in practice, deviations and fraud in the preparation of financial statements against established procedures or standards are still found. Financial statement fraud usually involves the intentional omission or misrepresentation of amounts or disclosures to deceive users (Pramesti & Kusumawati, 2023).

One phenomenon related to financial statement fraud occurred at PT. Tiga Pilar Sejahtera Food Tbk, where in 2017, the company overstated the receivables of 6 distributors, which were affiliated companies of PT. Tiga Pilar, by 87.5%, increased the amount from Rp200 billion to Rp1.6 trillion (Kontan.co.id).

Financial statement fraud is suspected to be minimized by the implementation of good corporate governance mechanisms. These mechanisms are characterized by the presence of independent commissioner, audit committee, institutional ownership, and managerial ownership (Inggriani & Nugroho, 2020). Good corporate governance mechanisms implemented in accordance with company standards and procedures can minimize fraudulent financial reporting. The existence of GCG can prevent or reduce fraudulent financial reporting because such supervision is a consideration for management as an agent to act as well as possible for the benefit of the principal.

According to Hendra et al. (2018), firm size is a variable that has a dominant influence on financial statement fraud. Larger companies are more critically examined by shareholders and external parties, and as a result, they are more careful in preparing financial statements, including in preventing fraudulent practices (Suryati, 2020).

According to a 2020 report by the Association of Certified Fraud Examiners, the industries with the highest number of cases and median losses were the banking, manufacturing, and government sectors. Among these, manufacturing was the industry that experienced the greatest losses. In line with the ACFE global report, Azizah Basmar et al. (2021) stated that manufacturing companies have a longer business process chain compared to other industries, which can lead to an increased potential for financial statement fraud. The consumer goods industry is one of Indonesia's manufacturing sectors. The demand for products produced by the consumer goods industry is always present and can continue to increase. The nature of the business in this sector involves fast sales, which increases the potential for higher fraud (Indriani & Rohman, 2022).

Literature Review

Agency Theory

According to Jensen & Meckling (1976), the basic idea of agency theory is a contracting theory, which contains a contractual relationship between the principal and agent that gives rise to differences of interest, where the agent does not always act in accordance with the best interests of the principal, and the principal also does not always act in the best interests of the agent. The principal is the one who gives the mandate to the agent (management/manager). The agent, in this case, is the management that is mandated to manage the company.

Financial Statement Fraud

Financial statement fraud, from the perspective of agency theory, is a form of opportunistic behaviour by the agent that misleads the principal. Information asymmetry results in the agent having more information about the company compared to the principal (Himawan, 2022).

Good Corporate Governance

Good corporate governance refers to the practices of managing a business involving stakeholders based on principles of fairness, efficiency, transparency, and accountability (Uci Rosalinda et al., 2022). Good corporate governance mechanisms consist of independent commissioner, audit committee, institutional ownership, and managerial ownership.

An Independent commissioner is a member of the company who is formed to supervise and monitor management (Solihah & Rosdiana, 2022). The audit committee is an important element in realizing the implementation of good corporate governance principles (Pardede & Andesto, 2024). Institutional ownership is a company's shares owned by institutions (Putri, 2021). Managerial ownership is a condition where the management team owns shares in a company (Khomariah & Khomsiyah, 2023).

Firm Size
Firm size is a representation of the total assets owned by a company (Dewantari et al., 2020).

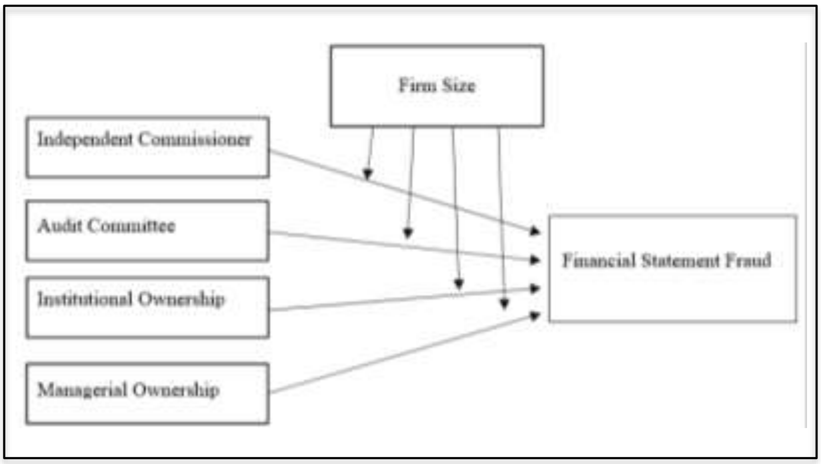

Figure 1. Conceptual Frameworks

METHOD

This study uses a causal method that aims to analyze the influence of independent variables on dependent variables.

Population and Sample

The population in this study is primary consumer goods manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2022 period. The total sample of this study is 210 samples from 70 companies with 3 years of observation.

Variable Measurement

The dependent variable used in this study is financial statement fraud. The independent variables used in this study are independent commissioner, audit committee, institutional ownership, and managerial ownership. Furthermore, firm size is used as a moderating variable in this study.

Financial Statement Fraud (Y)

Financial statement fraud is measured using the Beneish M-Score. Beneish M-Score can calculate the possibility of manipulation practices in a company (Kuang & Natalia, 2023).

$$\text{M-Score} = -4.84 + 0.920\,DSRI + 0.528\,GMI + 0.404\,AQI + 0.892\,SGI + 0.115\,DEPI - 0.172\,SGAI - 0.327\,LVGI + 4.697\,TATA$$

(Biduri & Tjahjadi, 2024)

Independent Commissioner (X1)

The indicator used in this study to measure the independent board of commissioner variable is a ratio scale by comparing the number of independent commissioners owned by a company to the number of board of commissioners in the company (Himawan, 2022).

Audit Committee (X2)

The audit committee is measured by the number of audit committee members in a company (Himawan, 2022).

Institutional Ownership (X3)

Institutional ownership is measured by the ratio of the number of shares owned by institutional investors to the number of shares outstanding (Himawan, 2022).

Managerial Ownership (X4)

Managerial ownership is measured by comparing the number of shares owned by management to the total outstanding share capital (Himawan, 2022).

Firm Size (M)

In this study, firm size is measured by the natural log of total assets.

Data Analysis

The data analysis technique used in this study is a statistical analysis using the Eviews 10 program to process the collected data.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistical analysis is used to analyze data in terms of maximum value, minimum value, average value (mean), and standard deviation value.

Table 1. Descriptive Statistics

	Y	X1	X2	X3	X4	M
Mean	6.046466	0.411570	3.014286	0.666761	0.043713	1.20E+13
Std. Dev.	131.7695	0.105490	0.384864	0.224608	0.120836	2.71E+13
Maximum	1906.399	0.833333	5.000000	0.979032	0.638511	1.80E+14
Minimum	-6.139377	0.200000	1.000000	0.000000	0.000000	6.48E+10

Source: Output Eviews 10

From the table of descriptive statistical analysis, the following results are obtained:

1) The minimum value of the indication of financial statement fraud (Y) measured using the Beneish M-Score (BMS) is -6.139377, the maximum value is 1906.399, the average value is 6.046466, and the standard deviation value is 131.7695.
Based on the analysis of financial reports using the Beneish m-score index conducted on 210 research samples, companies with indications of manipulators and non-manipulators can be identified. According to Valaskova & Fedorko (2021), a Beneish M-Score value greater than -2.22 is categorized as a manipulator, while a score less than -2.22 is categorized as a non-manipulator.

Table 2. Beneish M-Score

Year	Indication of Manipulator Company	Indication of Non-Manipulator Company
2020	9	61
2021	8	62
2022	11	59
Total	28	182

Source: Result of data processing (2024)

Based on the measurement and criteria using Beneish M-Score from a total of 210 samples, 28 samples were indicated as manipulator companies. However, the financial statements received a fair opinion from the independent auditor, as stated in the audit opinion. This shows a difference in perspective between the Beneish M-Score criteria and the independent auditor's assessment in providing an opinion on the company's financial statements. Beneish M-Score uses indicators based on calculations of various ratios to detect possible indications of financial statement manipulation. This model is sensitive to certain patterns in financial data (for example, an unreasonable increase in receivables or gross margin). However, the Beneish M-Score measurement only indicates potential manipulation, not definitive evidence. Meanwhile, the independent auditor provides an opinion based on audit evidence obtained through certain audit procedures. The auditor's focus is whether the financial statements are presented fairly in accordance with applicable accounting standards or not.

2) The minimum value of independent commissioner (X1) is 20%, the maximum value is 83%, the average value is 41%, and the standard deviation value is 11%.
3) The minimum value of the audit committee (X2) is 1, the maximum value is 5, the average value is 3, and the standard deviation value is 0.38.
4) The minimum value of institutional ownership (X3) is 0, the maximum value is 97%, the average value is 66%, and the standard deviation value is 22%.
5) The minimum value of managerial ownership is 0, the maximum value is 63%, the average value is 4%, and the standard deviation is 12%.
6) Firm size (M) in the descriptive statistics of this study is measured using the total assets of the company. To facilitate further data processing, namely regression analysis, the measurement of firm size is changed into a log form. The total assets of the company often involve very large numbers, especially for large companies. The use of logs helps compress the scale of numbers so that they are easier to interpret and compare. The minimum value of firm size is Rp 64,835,474,263, the maximum value is Rp 180,433,300,000,000, the average value is Rp 11,966,632,660,511, and the standard deviation value is Rp 27,093,392,852,086.

Selection of Panel Data Models

According to Ghazali (2018), when using the Eviews application before carrying out data analysis, it is necessary to select a model that is appropriate to the data.

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.012581	(69,136)	0.4671
Cross-section Chi-square	87.061976	69	0.0699

Source: Output Eviews 10

The Chi-Square cross-section probability value is 0.0699 > 0.05, so the selected model is the common effect model.

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.666472	4	0.9554

Source: Output Eviews 10

The probability value of the random cross-section is 0.9554 > 0.05, so the selected model is the random effect model.

Table 5. Lagrange Multiplier

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.008623	0.227991	0.236615
	(0.9260)	(0.6330)	(0.6267)

Source: Output Eviews 10

The both value is 0.6267 > 0.05, so the selected model is the common effect model.

Classical Assumption Test

The classical assumption test is a test that aims to determine whether or not there is residual normality, multicollinearity, heteroscedasticity, and autocorrelation in the regression model. In this study, only 2 (two) tests were used, namely the multicollinearity and heteroscedasticity tests. According to Basuki (2016), in the panel data regression model, the classical assumption test used is sufficient with the multicollinearity test and the heteroscedasticity test. The results of the classical assumption test in this study indicate that the data does not experience multicollinearity and passes the classical assumption test of heteroscedasticity.

Table 6. Multicollinearity Test

	X1	X2	X3	X4
X1	1.000000	0.018594	0.003449	0.004424
X2	0.018594	1.000000	0.063319	-0.163168
X3	0.003449	0.063319	1.000000	-0.561752
X4	0.004424	-0.163168	-0.561752	1.000000

Source: Output Eviews 10

Based on the Table 6, there is no multicollinearity because the value < 0.8.

Table 7. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	120.4442	132.8204	0.906821	0.3656
X1	-3.075203	11.94728	-0.257398	0.7971
X2	-3.001492	38.64895	-0.077660	0.9382
X3	-58.22234	78.96281	-0.737339	0.4618

Source: Output Eviews 10

Based on the results of the Table 7, the probability value is greater than 0.05, so the data has passed the classical assumption of heteroscedasticity.

Hypothesis Test

Based on the results of the model selection test in this study, it was concluded that the most suitable panel data regression model to be used is the Common Effect Model.

Model Feasibility Test (F Test)

Table 8. F Test

F-statistic	5.249503
Prob (F-statistic)	0.000480

Source: Output Eviews 10

Table 8 shows a significance value of 0.000480 < 0.05, so it can be concluded that the model is suitable for use.

Coefficient of Determination (R Test)

Table 9. R Test

R-squared	0.092912
Adjusted R-squared	0.075213

Source: Output Eviews 10

Table 9 shows the R-squared value is 0.092912, indicating that independent commissioner, audit committee, institutional ownership and managerial ownership influence financial statement fraud by 0.092912 or 9%, and the other 91% is influenced by variables not included in this study.

Partial Test (T-Test)

Table 10. T Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	75.92570	79.39430	0.956312	0.3400
X1	-30.59047	7.141570	-4.283438	0.0000
X2	-1.245576	23.10268	-0.053915	0.9571
X3	-73.90794	47.20057	-1.565827	0.1189
X4	-97.55407	88.75121	-1.099186	0.2730

Source: Output Eviews 10

Based on Table 10, the results of the T-statistical test show that:
1) The probability value of an independent commissioner is 0.0000 <0.05 with a coefficient value of -30.59047, showing that an independent commissioner (X1) has a significant negative effect on financial statement fraud (Y).
2) The probability value of the audit committee is 0.9571> 0.05 with a coefficient value of -1.245576, which shows that the audit committee (X2) does not have a significant effect on financial statement fraud (Y).
3) The probability value of institutional ownership is 0.1189> 0.05 with a coefficient value of -73.90794, which shows that institutional ownership (X3) does not have a significant effect on financial statement fraud (Y).
4) The probability value of managerial ownership is 0.2730 > 0.05 with a coefficient value of -97.55407, showing that managerial ownership (X4) does not have a significant effect on financial report fraud (Y).

Regresi Analysis Moderating (MRA)

To determine whether M really functions as Pure Moderation, Quasi Moderator, or Homologizer Moderator, it can be seen from the criteria below:
1) Pure Moderator: If the influence of variable M on variable Y in the first output is not significant, but the influence of the interaction variables MX1, MX2, MX3, and MX4 on the second output is significant, then variable M is pure moderation.
2) Quasi Moderation: If the influence of variable M on variable Y in the first output is significant, and the influence of the interaction variables MX1, MX2, MX3 and MX4 on the second output is also significant, then M is Pseudo Moderation.
3) Predictor Moderator: If the influence of variable M on variable Y in the first output is significant, but the influence of the interaction variables MX1, MX2, MX3 and MX4 on the second output is not significant, then M is considered Predictor Moderation.
4) Homologizer Moderator: If the influence of variable M on variable Y in the first output and also the influence of the interaction variables between MX1, MX2, MX3 and MX4 in the second output are all insignificant, then M does not function as a moderation (Rahadi & Farid, 2021).

Table 11. Moderation Variable Testing Output 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.694283	160.2488	0.004333	0.9965
X1	-30.85900	7.171140	-4.303221	0.0000
X2	-2.415570	23.24357	-0.103924	0.9173
X3	-74.36416	47.28976	-1.572521	0.1174

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X4	-97.26888	88.90634	-1.094060	0.2752
M	2.759450	5.102852	0.540766	0.5893

Table 12. Moderation Variable Testing Output 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1091.028	1874.295	-0.582100	0.5612
X1	494.5571	124.9420	3.958293	0.0001
X2	229.0733	582.6664	0.393147	0.6946
X3	159.9926	863.9500	0.185187	0.8533
X4	-263.1702	1779.782	-0.147867	0.8826
M	41.13611	66.00754	0.623203	0.5339
M1	-19.06542	4.527204	-4.211300	0.0000
M2	-8.117325	20.49154	-0.396130	0.6924
M3	-7.847343	30.21827	-0.259689	0.7954
M4	6.710941	63.02253	0.106485	0.9153

Source: Output Eviews 10

Based on the results of the moderation variable test in Table 11 and Table 12, show that:

1) Output 1 shows a probability value of 0.5893> 0.05, indicating that the influence of Y on M is not significant. Output 2 shows that there is an influence of M1 on Y with a probability value of 0.0000 <0.05, so the moderation result is a pure moderator.
2) Output 1 shows a probability value of 0.5893 > 0.05, indicating that the influence of Y on M is not significant and output 2 also shows that M2 on Y is not significant with a probability value of 0.6924 > 0.05, then the moderation result is a homologizer moderator
3) Output 1 shows a probability value of 0.5893 > 0.05, indicating that the influence of Y on M is not significant and output 2 also shows that M3 on Y is not significant with a probability value of 0.7954 > 0.05, then the moderation result is a homologizer moderator
4) Output 1 shows a probability value of 0.5893 > 0.05, indicating that the influence of Y on M is not significant and output 2 also shows that M4 on Y is not significant with a probability value of 0.9153 > 0.05, then the moderation result is a homologizer moderator

Independent Commissioner Influence Financial Statement Fraud

Independent commissioner has a significant negative effect on financial report fraud. The results of this study are in accordance with the explanation of agency theory. According to Nainggolan & Karunia (2022), agency theory explains that to avoid an asymmetric relationship between the owner and manager of the company, a concept is needed, namely the concept of good corporate governance which aims to make the company healthier. Independent Commissioner is one of the mechanisms of good corporate governance that can supervise the course of activities in a company so as to minimize the potential for financial report fraud.

The sample in this study shows the dominance of companies with 3 (three) boards of commissioners and no company has a board of commissioners less than 2 (two) or the minimum limit of regulatory provisions. This proves the seriousness of the company in fulfilling the regulations of POJK Regulation No. 33/2014.

The results of this study are in line with Bangsa Lejab et al (2024), Kurnia et al (2024), Hidayat & Utami (2023) dan Ningsih & Reskino (2023).

Audit Committee Has No Influence on Financial Statement Fraud

The Audit Committee has no significant influence on financial statement fraud. This means that if there is an increase in the number of audit committee, it will not be able to reduce the potential for fraudulent financial reporting in the company and vice versa. This is because the audit committee is not directly involved in resolving the financial issues faced by the company (Tanuwijaya & Dwijayanti, 2022). Basically, the audit committee focuses on supervising and checking the financial reports that have been prepared by management, not being directly involved in the preparation process. This means the audit committee has no direct control over how the numbers and information are presented in the financial statements, so the audit committee will have difficulty detecting fraudulent practices in the preparation of financial statements.

Agency theory also explains that in an agency relationship, there is information asymmetry. Information asymmetry is a situation where one party in an agency relationship has more information than the other party. Information asymmetry can occur because the management that runs the company's day-to-day operations has greater access to information related to the company's condition compared to the owner. With this asymmetry, the audit committee still relies on information provided by management. If the information provided is not transparent, manipulative, or incomplete, then the potential for fraud in the preparation of financial statements will still exist.

Furthermore, the sample in this study indicates a dominance of companies with only three audit committee members, which meets the minimum threshold required by regulations. The study also found that companies with fewer than three audit committee members failed to meet the minimum regulatory requirements.

This reflects a lack of seriousness among some companies in complying with POJK Regulation No. 55/2015, which could potentially lead to ineffective oversight by the audit committee. These findings align with the studies of Tan et al. (2022), Pratiwi Nila Sari & Cahyadi Husadha (2020), and Ozcelik (2020).

Institutional Ownership Has No Influence on Financial Statement Fraud

Institutional ownership has no significant influence on financial statement fraud. This means that no matter how many shares an institution owns, it cannot overcome the potential for fraudulent financial reporting practices within the company. This occurs because external institutional parties have yet to actively monitor fraudulent actions that managers may carry out (Priswita & Taqwa, 2019). When institutional shareholders take a passive approach, it can lead to a lack of effective oversight mechanisms over managerial actions, thus allowing opportunities and potential for financial statement fraud to persist.

In line with agency theory, all individuals act in their own interests in an agency relationship. Shareholders as principals are oriented towards the return on their investment, while agents as the company managers are oriented towards rewards in the form of financial compensation for their performance. The difference in interests between the agent and the principal can lead to potential manipulation of financial reports carried out by management so that their performance looks good and can fulfill the wishes of the principal so that financial compensation for their performance can be accommodated (Lesmono & Siregar, 2021).

No matter how large the percentage of share ownership owned by the institution, it does not guarantee that it can provide more supervision of the company's operational activities, especially management performance; this is due to differences in interests and orientations towards the benefits of each party that arise in agency conflicts.

These findings are consistent with those of Priswita & Taqwa (2019), MT & Jeroh (2023), dan Pratiwi et al. (2022).

Managerial Ownership Has No Influence on Financial Statement Fraud

Managerial ownership does not significantly influence financial statement fraud. This is because external pressures compel management to meet company targets, prompting them to present financial statements that reflect favorable performance, even when the company is facing difficulties (Yadiati et al., 2020).

This is in line with agency theory, which explains that all individuals act in their own interests. Shareholders as principals are oriented towards the return on their investment, while agents as company managers are oriented towards rewards in the form of financial compensation for their performance. The difference in interests between the agent and the principal can lead to potential manipulation of financial reports carried out by management so that their performance looks good and can fulfill the wishes of the principal so that financial compensation for their performance can be accommodated (Lesmono & Siregar, 2021).

These findings are consistent with the studies of Khomariah & Khomsiyah (2023), Yadiati et al. (2020), and Rumapea et al. (2022).

Firm Size Can Moderate Independent Commissioner on Financial Statement Fraud

The larger the firm size, the higher the level of supervision conducted by the board of commissioner compared to smaller companies. This is done to minimize the presentation of information on financial statements that does not reflect the actual condition. Stakeholders more frequently utilize the financial statements of larger companies compared to those of smaller companies (Liana Susanto, 2022). Therefore, the larger the firm size, the greater the supervision conducted by the board of commissioner, and the higher the supervision, the lower the potential for financial statement fraud within the company.

The findings of this study are consistent with Ningsih & Reskino (2023) and Kurnia et al. (2024), who stated that firm size can moderate the influence of independent commissioner on financial statement fraud. The larger the size of the company, the greater the attention from stakeholders. With this condition, the company makes stricter supervision efforts through an independent board of commissioner to maintain the company's good name and reputation so that the potential for fraudulent financial reporting can be minimized.

Firm Size is Unable to Moderate the Audit Committee on Financial Statement Fraud

Firm size cannot moderate the influence of the audit committee on financial statement fraud. According to Dewantari et al. (2020), firm size reflects the total assets owned by a company. Companies with larger sizes have more assets and capital (Herlin Tunjung, 2019). Although large companies tend to have more adequate resources, firm size is not always directly related to the audit committee's effectiveness in preventing financial statement fraud. This is because the formation of an audit committee carried out by the company is only to carry out formalities to comply with regulations set by the regulator (Sari et al., 2021). The absence of sanctions from the regulator causes the company not to consider the quality of the implementation of corporate governance so the implementation of this governance is still ineffective (Firmansyah, 2021).

In both large and small companies, the audit committee may face challenges in identifying and addressing fraud, as the information available to the audit committee can be restricted by management. The audit committee often relies on information provided by management to understand the company's financial activities

Firm Size is Unable to Moderate Institutional Ownership on Financial Statement Fraud

Firm size cannot moderate the influence of institutional ownership on financial statement fraud. The findings of this study indicate that institutional ownership, which theoretically is expected to act as a supervisor to prevent fraud, cannot function effectively. This means that institutions holding shares are not sufficiently active or do not have strong enough mechanisms to influence management, whether in large, more complex companies or smaller, simpler ones. In agency theory, all individuals act in their own interests. Shareholders as principals are oriented towards the return on their investment, while agents as company managers are oriented towards rewards in the form of financial compensation for their performance. These differences in interests make each party try to benefit themselves (Lesmono & Siregar, 2021). Supervision carried out by institutional parties is considered ineffective in reducing the potential for fraudulent financial reporting practices because the institution as the principal focuses more on its interests, namely investment returns, rather than on supervising management activities.

These findings are consistent with Kurnia et al. (2024), who demonstrated that firm size cannot moderate institutional ownership's influence on financial statement fraud.

Firm Size is Unable to Moderate Managerial Ownership on Financial Statement Fraud

Firm size cannot moderate managerial ownership effect on financial statement fraud. The company's size does not guarantee that it can reduce or increase the impact of managerial share ownership on financial statement fraud. According to Candra et al. (2024), large companies or small companies have the opportunity to commit fraud on financial statements. For managers who own shares, incentives to improve or meet company performance and targets motivate manipulation, regardless of firm size. This kind of pressure applies equally to both large and small companies, so firm size is not enough to change the effect of managerial ownership on financial statement fraud.

According to Kristi & Dewi (2023), large companies have more complex and more competent control systems than small companies. However, this control system is not always successful in preventing potential financial statement fraud practices if the managerial party still has more complete control and information than the principal. This is also in line with agency theory, which explains that agents or management have more information than the principal (Vista Yulianti et al., 2023). This relationship can be information asymmetry or imbalance between the agent and the principal. Information asymmetry causes managerial ownership to directly influence the decision-making process so that firm size cannot moderate managers' incentives to manipulate because they basically have significant control over financial reports.

CONCLUSION

Based on the analysis and discussion conducted, the conclusions drawn from this study are as follows: a) Independent commissioner has a significant negative effect on financial statement fraud, b) The audit committee has no effect on financial statement fraud, c) Institutional ownership has no effect on financial statement fraud, d) Managerial ownership has no effect on financial statement fraud, e) Firm size can moderate the influence of independent commissioner on financial statement fraud, f) Firm size is unable to moderate the influence of the audit committee on financial statement fraud, g) Firm size is unable to moderate the influence of institutional ownership on financial statement fraud h) Firm size is unable to moderate the influence of managerial ownership on financial statement fraud.

It is recommended that future researchers use a longer period to provide more varied data and add more research variables to produce studies that better reflect the factors influencing financial statement fraud.

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